

BENTON HARBOR CHARTER SCHOOL ACADEMY

REPORT ON FINANCIAL STATEMENTS
(with required supplementary and additional information)

YEAR ENDED JUNE 30, 2008

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Benton Harbor Charter School Academy

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Benton Harbor Charter School Academy (the Academy), as of and for the year ended June 30, 2008, which collectively comprise the Academy's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Benton Harbor Charter School Academy's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Benton Harbor Charter School Academy as of June 30, 2008, and the respective changes in financial position, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2008, on our consideration of Benton Harbor Charter School Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages vi through xii and 23, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Benton Harbor Charter School Academy's basic financial statements. The additional information on pages 25 through 29 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This additional information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Maner, Costerisan + Ellis, P.C.

September 24, 2008

MANAGEMENT’S DISCUSSION AND ANALYSIS

This section of Benton Harbor Charter School Academy’s (Academy) annual financial report presents our discussion and analysis of the Academy’s financial performance during the fiscal year that ended on June 30, 2008. Please read it in conjunction with the Academy’s financial statements, which immediately follow this section.

Financial Highlights

- The Academy had an excess of revenues over expenditures in the general fund of \$176,972 compared to a budgeted figure of \$16,308. This gives the Academy a fund balance in the general fund of \$723,509.
- The Academy retired \$117,630 in long-term debt during the year.
- The Academy invested \$65,276 in capital assets during the year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts - management’s discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the Academy:

- The first two statements are academy-wide financial statements that provide both short-term and long-term information about the Academy’s overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Academy, reporting the Academy’s operations in more detail than the academy-wide statements.
- The governmental funds statements tell how basic services like regular and special education were financed in the short-term as well as what remains for future spending.
- The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The

statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the Academy’s budget for the year. Table A-1 shows how the various parts of the annual report are arranged and related to one another.

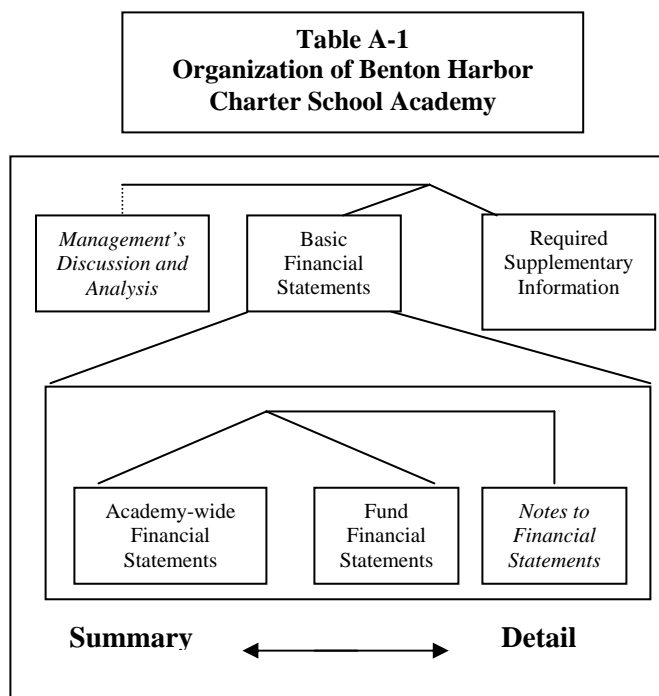


Table A-2 summarizes the major features of the Academy’s financial statements, including the portion of the Academy’s activities they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis highlights the structure and contents of each of the statements.

Table A-2 Major Features of the Academy-wide and Fund Financial Statements			
	Academy-wide statements	Fund financial statements	
		Governmental funds	Fiduciary funds
Scope	Entire Academy (except fiduciary funds)	The activities of the Academy that are not proprietary or fiduciary, such as special education and building maintenance.	Instances in which the Academy administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	* Statement of net assets * Statement of activities	* Balance sheet * Statement of revenues, expenditures and changes in fund balances	* Statement of fiduciary assets and liabilities
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term, the Academy's funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

Academy-wide statements

The academy-wide statements report information about the Academy as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the Academy’s assets and liabilities. All of the current year’s revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two academy-wide statements report the Academy’s net assets and how they have changed. Net assets - the difference between the Academy’s assets and liabilities, are one way to measure the Academy’s financial health or position.

- Over time, increases or decreases in the Academy’s net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the Academy, you need to consider additional non-financial factors such as changes in the Academy’s enrollment, the condition of school buildings and other facilities, and the Academy’s ability to be competitive with other public school academies and area school districts.

Governmental activities - The Academy's basic services are included in the general fund, such as regular education and special education, transportation and administration. State foundation aid finances most of these activities.

Fund financial statements

The fund financial statements provide more detailed information about the Academy's funds, focusing on its more significant or "major" funds - not the Academy as a whole. Funds are accounting devices the Academy uses to keep track of specific sources of funding and spending on particular programs.

- Some funds are required by State law and by debt agreements.
- The Academy establishes other funds to control and manage money for particular purposes (like repaying its long-term debts) or to show that it is properly using certain revenues (like food services).

All of the Academy's basic services are included in governmental funds which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out, and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Academy's programs. Because this information does not encompass the additional long-term focus of the academy-wide statements, we provide additional information with the governmental funds statement that explains the relationship (or differences) between them.

Financial analysis of the Academy as a whole

Net assets - the Academy's combined net assets of \$33 increased by \$213,701 during the year, See Figures A-3 and A-4. The most significant factor was sound expenditure management.

The total general and program revenues increased by 6% to \$4,340,430. State aid foundation allowance included in revenue from state sources accounts for 70% of the Academy's general and program revenues in 2008.

The total cost of instruction increased by 15% to \$1,716,051. Total support service increased by 1.7% to \$1,479,799. This increase resulted from additional staffing due to higher enrollment and federal grant funds.

Figure A-3
Benton Harbor Charter School Academy

	2008	2007
Current assets	\$ 1,795,593	\$ 860,792
Restricted investments	872,707	838,288
Capital assets, net	4,891,350	5,004,510
Total assets	7,559,650	6,703,590
Current liabilities	1,328,767	504,801
Long-term debt outstanding	6,230,850	6,412,456
Total liabilities	7,559,617	6,917,257
Net assets:		
Invested in capital assets, net of related debt	(1,514,620)	(1,519,090)
Restricted for debt service	854,808	825,916
Unrestricted	659,845	479,506
Total net assets (deficit)	\$ 33	\$ (213,668)

Figure A-4
Changes in Benton Harbor Charter School Academy's Net Assets

	2008	2007
Revenues:		
Program revenues:		
Federal and state categorical grants	\$ 1,106,914	\$ 965,266
Charges for services	252	33,140
General revenues:		
State aid - unrestricted	3,030,507	2,940,066
Investment income	57,739	55,527
Other	145,018	83,926
Total general revenues	3,233,264	3,079,519
Total revenues	4,340,430	4,077,925
Expenses:		
Instruction	1,716,051	1,492,324
Support services	1,479,799	1,438,515
Food services	239,979	221,363
Interest and fees	512,464	514,047
Unallocated depreciation	178,436	178,773
Total expenses	4,126,729	3,845,022
Change in net assets	\$ 213,701	\$ 232,903

Financial analysis of the Academy's funds

The financial operation of the Academy is considered stable. The fund balance at June 30, 2008 is \$723,509 in the general fund. There was a 6.5% increase in general fund revenue. There was a 17% increase in expenditures for instructional programs and a decrease of 2% in expenditures for support services.

General fund budgetary highlights

Final budget vs. Actual

<u>Fiscal year</u>	<u>Final budget</u>	<u>Final actual</u>
Revenues		
2007 - 2008	<u>\$ 4,102,103</u>	<u>\$ 4,079,717</u>
Expenditures		
2007 - 2008	<u>\$ 3,492,795</u>	<u>\$ 3,297,375</u>

Original vs. Final budget

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year.

As a matter of practice, Benton Harbor Charter School Academy amends its budget periodically as needed during the school year. For fiscal year 2007-2008, the budget was amended prior to June 30, 2008.

Revenues

Total revenues original budget	\$ 3,695,236
Total revenues final budget	<u>4,102,103</u>
Decrease in budgeted revenues	<u>\$ 406,867</u>

The Academy's final general fund revenues were less than the final budget by \$22,386. This variance was primarily a result of unspent grant funds at the end of the year.

Expenditures

The Academy's budget for expenditures changed as follows during the year.

Total expenditures original budget	\$ 3,117,793
Total expenditures final budget	<u>3,492,795</u>
Decrease in budgeted expenditures	<u>\$ 375,002</u>

The Academy's actual expenditures were less than final budget by \$195,420. This difference was primarily due to a decrease in unspent grant funds and lower transportation costs.

Capital asset and debt administration

Capital assets

By the end of the year ended June 30, 2008, the Academy had invested \$4,891,350 in capital assets consisting primarily of land, buildings and improvements, equipment and furniture net of accumulated depreciation. This amount represents a net decrease in capital assets of \$113,160 from the beginning of the year. More detailed information about capital assets can be found in Note 4 to the financial statements. Total depreciation expense for the year was \$178,436.

The Academy's capital assets are as follows:

Figure A-5				
Benton Harbor Charter School Academy's Capital Assets				
	2008			2007
	Cost	Accumulated depreciation	Net book value	Net book value
Building and improvements	\$ 3,593,940	\$ 512,342	\$ 3,081,598	\$ 3,154,682
Furniture and equipment	170,866	54,804	116,062	126,993
Vehicles	83,600	51,089	32,511	60,378
Technology	369,218	208,039	161,179	162,457
Land	1,500,000	-	1,500,000	1,500,000
Total	<u>\$ 5,717,624</u>	<u>\$ 826,274</u>	<u>\$ 4,891,350</u>	<u>\$ 5,004,510</u>

Debt administration

The Academy financed its facilities acquisition by issuing Certificates of Participation. A summary of long-term debt service activities is as follows:

	<u>2008</u>	<u>2007</u>
Governmental activities:		
Certificates of participation	\$ 6,355,000	\$ 6,440,000
Bank note	<u>50,970</u>	<u>83,600</u>
Total	<u>\$ 6,405,970</u>	<u>\$ 6,523,600</u>

The Academy repaid \$117,630 of long-term debt in 2008. This amount includes payments of \$85,000 on the Certificates of Participation and \$32,630 on the Bank Loan. See Note 6 of the financial statements.

Economic Factors bearing on the Academy's future

At the time these financial statements were prepared and audited, the Academy was aware of existing circumstances that could significantly affect its financial health in the future.

- The Academy has budgeted an increase in foundation allowance of \$100 per pupil. The State of Michigan has approved an increase to foundation allowance up to \$112 per pupil.
- The Academy has adopted a general fund budget with an excess of revenues over expenditures of \$6,702.

Contacting the Academy's financial management

This financial report is designed to provide our students, parents and creditors with a general overview of the Academy's finances and to demonstrate the Academy's accountability for the money it receives. If you have questions about this report or need additional information, contact the Academy's Management Company, Choice Schools Associates, LLC, at P.O. Box 141493, Grand Rapids, Michigan, 49514. Phone (616) 785-8440.

BASIC FINANCIAL STATEMENTS

BENTON HARBOR CHARTER SCHOOL ACADEMY
STATEMENT OF NET ASSETS
JUNE 30, 2008

	<u>Governmental activities</u>
ASSETS	
CURRENT ASSETS:	
Cash and cash equivalents	\$ 324,006
Cash deposits - restricted for debt payments	676,487
Receivables:	
Accounts receivable	8,284
Accrued interest receivable	17,057
Due from other governmental units	740,704
Prepaid expenses	29,055
TOTAL CURRENT ASSETS	<u>1,795,593</u>
NONCURRENT ASSETS:	
Restricted investments	872,707
Capital assets	5,717,624
Less accumulated depreciation	(826,274)
Net capital assets	4,891,350
TOTAL NONCURRENT ASSETS	<u>5,764,057</u>
TOTAL ASSETS	<u><u>\$ 7,559,650</u></u>
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES:	
Accounts payable	\$ 60,095
Accrued interest	113,387
Accrued salaries and related items	245,628
Other accrued expenses	16,537
Note payable	718,000
Current portion of long-term obligations	175,120
TOTAL CURRENT LIABILITIES	<u>1,328,767</u>
NONCURRENT LIABILITIES:	
Noncurrent portion of long-term obligations	6,230,850
TOTAL LIABILITIES	<u>7,559,617</u>
NET ASSETS:	
Invested in capital assets, net of related debt	(1,514,620)
Restricted for debt service	854,808
Unrestricted	659,845
TOTAL NET ASSETS	<u>33</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 7,559,650</u></u>

**BENTON HARBOR CHARTER SCHOOL ACADEMY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2008**

Functions/programs	Expenses	Program revenues		Governmental activities
		Charges for services	Operating grants	Net (expense) revenue and changes in net assets
Governmental activities:				
Instruction	\$ 1,716,051	\$ -	\$ 746,162	\$ (969,889)
Support services	1,479,799	-	127,701	(1,352,098)
Food services	239,979	252	233,051	(6,676)
Interest and fees	512,464	-	-	(512,464)
Unallocated depreciation	178,436	-	-	(178,436)
Total governmental activities	<u>\$ 4,126,729</u>	<u>\$ 252</u>	<u>\$ 1,106,914</u>	<u>(3,019,563)</u>
General revenues:				
Investment earnings				57,739
State sources				3,030,507
Local sources				94,203
ISD sources				<u>50,815</u>
Total general revenues				<u>3,233,264</u>
CHANGE IN NET ASSETS				213,701
NET DEFICIT , beginning of year				<u>(213,668)</u>
NET ASSETS , end of year				<u>\$ 33</u>

**BENTON HARBOR CHARTER SCHOOL ACADEMY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008**

	General fund	Debt service fund	Nonmajor governmental funds	Total governmental funds
ASSETS				
ASSETS:				
Cash	\$ 324,006	\$ -	\$ -	\$ 324,006
Cash deposits - restricted for debt payments	676,487		-	676,487
Investments		812,808	59,899	872,707
Receivables:				
Accounts receivable	8,284	-	-	8,284
Accrued interest receivable	17,057	-	-	17,057
Due from other governmental units	740,704	-	-	740,704
Due from other funds	-	-	6,599	6,599
Prepaid expenditures	29,055	-	-	29,055
TOTAL ASSETS	\$ 1,795,593	\$ 812,808	\$ 66,498	\$ 2,674,899
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	\$ 55,033	\$ -	\$ 5,062	\$ 60,095
Accrued salaries and related items	245,628	-	-	245,628
Accrued interest	30,287	-	-	30,287
Other accrued expenses	16,537	-	-	16,537
Due to other funds	6,599	-	-	6,599
Note payable	718,000	-	-	718,000
TOTAL LIABILITIES	1,072,084		5,062	1,077,146

	General fund	Debt service fund	Nonmajor governmental funds	Total governmental funds
FUND BALANCES:				
Reserved for debt service	\$ 125,100	\$ 812,808	\$ -	\$ 937,908
Reserved for prepaid expenditures	29,055	-	-	29,055
Reserved for capital projects	-	-	59,899	59,899
Unreserved, undesignated	569,354	-	1,537	570,891
TOTAL FUND BALANCES	<u>723,509</u>	<u>812,808</u>	<u>61,436</u>	<u>1,597,753</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,795,593</u>	<u>\$ 812,808</u>	<u>\$ 66,498</u>	<u>\$ 2,674,899</u>
Total governmental fund balances				\$ 1,597,753
Amounts reported for governmental activities in the statement of net assets are different because:				
Capital assets used in governmental activities are not financial resources and are not reported in the funds				
The cost of the capital assets is			\$ 5,717,624	
Accumulated depreciation is			<u>(826,274)</u>	
				4,891,350
Long-term liabilities are not due and payable in the current period and are not reported in the funds:				
Certificates of participation				(6,355,000)
Note payable				(50,970)
Accrued interest is not included as a liability in government funds, it is recorded when paid				<u>(83,100)</u>
Net assets of governmental activities				<u>\$ 33</u>

BENTON HARBOR CHARTER SCHOOL ACADEMY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2008

	<u>General fund</u>	<u>Debt service fund</u>	<u>Nonmajor governmental funds</u>	<u>Total governmental funds</u>
REVENUES:				
Local sources:				
Rentals, private sources	\$ 84,702	\$ -	\$ -	\$ 84,702
Food service sales	-	-	252	252
Investment income	30,329	25,628	1,782	57,739
Other	9,501	-	-	9,501
Total local sources	124,532	25,628	2,034	152,194
State sources	3,450,984	-	7,096	3,458,080
Federal sources	476,761	-	225,955	702,716
Intermediate sources	27,440	-	-	27,440
Total revenues	4,079,717	25,628	235,085	4,340,430
EXPENDITURES:				
Instruction:				
Basic programs	1,061,930	-	-	1,061,930
Added needs	689,206	-	-	689,206
Total instruction	1,751,136	-	-	1,751,136
Support services:				
Pupil	63,275	-	-	63,275
Instructional staff	83,464	-	-	83,464
General administration	474,960	-	-	474,960
School administration	282,028	-	-	282,028

	General fund	Debt service fund	Nonmajor governmental funds	Total governmental funds
EXPENDITURES (Concluded):				
Support services (Concluded):				
Business	\$ 30,948	\$ -	\$ -	\$ 30,948
Operation and maintenance	320,436	-	-	320,436
Pupil transportation services	209,293	-	-	209,293
Central support services	45,586	-	-	45,586
Total support services	<u>1,509,990</u>	<u>-</u>	<u>-</u>	<u>1,509,990</u>
Food service	-	-	239,979	239,979
Debt service:				
Principal retirement	32,630	85,000	-	117,630
Interest and fiscal charges	<u>3,619</u>	<u>510,262</u>	<u>-</u>	<u>513,881</u>
Total expenditures	<u>3,297,375</u>	<u>595,262</u>	<u>239,979</u>	<u>4,132,616</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>782,342</u>	<u>(569,634)</u>	<u>(4,894)</u>	<u>207,814</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in	-	602,370	11,361	613,731
Operating transfers out	<u>(605,370)</u>	<u>(8,361)</u>	<u>-</u>	<u>(613,731)</u>
Total other financing sources (uses)	<u>(605,370)</u>	<u>594,009</u>	<u>11,361</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>176,972</u>	<u>24,375</u>	<u>6,467</u>	<u>207,814</u>
FUND BALANCES:				
Beginning of year	<u>546,537</u>	<u>788,433</u>	<u>54,969</u>	<u>1,389,939</u>
End of year	<u><u>\$ 723,509</u></u>	<u><u>\$ 812,808</u></u>	<u><u>\$ 61,436</u></u>	<u><u>\$ 1,597,753</u></u>

See notes to financial statements.

**BENTON HARBOR CHARTER SCHOOL ACADEMY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2008**

Net change in fund balances total governmental funds	\$ 207,814
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. In the statement of activities these costs are allocated over their estimated useful lives as depreciation.

Depreciation expense	(178,436)
Capital outlay	65,276

Accrued interest on bonds is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid.

Accrued interest payable, beginning of the year	84,517
Accrued interest payable, end of the year	(83,100)

Repayments of principal on long-term debts are expenditures in the governmental funds, but not in the statement of activities (where they are reductions of liabilities).

Principal retirement - long-term obligations	117,630
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Change in net assets of governmental activities	\$ 213,701
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**BENTON HARBOR CHARTER SCHOOL ACADEMY
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
JUNE 30, 2008**

	<u>Agency</u>
ASSETS	
Due from student groups	<u>\$ 279</u>
LIABILITIES	
Due to general fund	<u>\$ 279</u>

**BENTON HARBOR CHARTER SCHOOL ACADEMY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Benton Harbor Charter School Academy have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Academy's accounting policies are described below.

A. Reporting Entity

The Benton Harbor Charter School Academy (the "Academy") is a public school academy as part of the Michigan Public School System under Public Act No. 362 of 1993. Ferris State University is the authorizing governing body for the Academy and has contracted with the Academy to charter the public school academy through June 2009. The Academy's board of directors is approved by the authorizing body and is authorized to manage the Academy and the property and affairs of the Academy. The Academy receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. However, the Academy is not included in any other governmental reporting entity as defined by accounting principles generally accepted in the United States of America. The Academy's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board Statements No. 14 and 39.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the Academy. For the most part, the effect of interfund activity has been removed from these statements. The government-wide financial statements categorize primary activities as either governmental or business type. All of the Academy's activities are classified as governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges paid by recipients who purchase, use or directly benefit from goods or services by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. State Foundation Aid, certain revenue from the intermediate school district and other unrestricted items are not included as program revenues but instead as *general revenues*.

In the government-wide statement of net assets, the governmental activities column (a) is presented on a consolidated basis, and (b) is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Academy's net assets are reported in three parts - invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

**BENTON HARBOR CHARTER SCHOOL ACADEMY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-wide and fund financial statements (Continued)

The Academy first utilizes restricted resources to finance qualifying activities.

The government-wide statement of activities reports both the gross and net cost of each of the Academy's functions. The functions are also supported by general government revenues (State Foundation Aid, certain intergovernmental revenues, investment income and other revenue). The statement of activities reduces gross expenses by related program revenues and operating grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (State Foundation Aid, intermediate district sources, interest income and other revenues).

The Academy does not allocate indirect costs.

This government-wide focus is more on the sustainability of the Academy as an entity and the change in the Academy's net assets resulting from the current year's activities.

Separate financial statements are provided for governmental funds and fiduciary funds even though the latter are excluded from the government wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Governmental funds - Governmental funds are those funds through which most Academy functions typically are financed. The acquisition, use and balances of the Academy's expendable financial resources and the related current liabilities are accounted for through governmental funds.

The Academy reports the following major governmental funds:

The *general fund* is the Academy's primary operating fund. It accounts for all financial resources of the Academy, except those required to be accounted for in another fund.

The *debt service fund* accounts for the resources accumulated and payments made for principal and interest on certificates of participation.

**BENTON HARBOR CHARTER SCHOOL ACADEMY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-wide and fund financial statements (Concluded)

Other non-major funds

The *special revenue fund* accounts for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The Academy accounts for its food service activity in a special revenue fund.

The *capital projects fund* accounts for the receipt of debt proceeds and the acquisition of fixed assets or construction of major capital projects.

Fiduciary funds account for assets held by the Academy in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the Academy under the terms of a formal trust agreement. Fiduciary funds are not included in the government-wide statements.

The *agency fund* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. This fund is used to account for the assets that the Academy holds for others in an agency capacity (primarily student activities).

C. Measurement focus, basis of accounting and basis of presentation

Accrual method

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board.

**BENTON HARBOR CHARTER SCHOOL ACADEMY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement focus, basis of accounting and basis of presentation (Concluded)

Modified accrual method

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Academy considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

State and federal aid and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Academy.

State revenue

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to the Academy based on information supplied by the Academy. For the year ended June 30, 2008, the foundation allowance was based on pupil membership counts taken in February and September of 2007.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The State revenue is recognized during the foundation period and is funded through payments from October 2007 to August 2008. Thus, the unpaid portion at June 30th is reported as due from other governmental units.

The Academy also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Categorical funds received, which are not expended by the close of the fiscal year are recorded as deferred revenue.

BENTON HARBOR CHARTER SCHOOL ACADEMY
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Other accounting policies

1. Cash and equivalents include amounts in demand deposit accounts

The Academy reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and No. 40, *Deposits and Investment Risk Disclosures*. Under these standards, certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the Academy intend to hold the investment until maturity.

State statutes authorize the Academy to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The Academy is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds".

All receivables are shown net of an allowance for uncollectibles.

3. Prepaid expenditures

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenditures.

**BENTON HARBOR CHARTER SCHOOL ACADEMY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Other accounting policies (Continued)

4. Capital Assets

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Building	50 years
Furniture and equipment	5-20 years
Vehicles	3 years
Technology	5 years

The Academy's capitalization policy is to capitalize individual amounts exceeding \$5,000.

5. Long-term Obligation

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net assets.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

6. Use of Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

**BENTON HARBOR CHARTER SCHOOL ACADEMY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

7. Fund balance

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. Amounts reserved for debt service in the general fund consist of a portion of the amount due from other governmental units legally restricted for debt service. These funds are transferred to the debt service fund upon receipt.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general and special revenue funds. Encumbrance accounting is employed in governmental funds. Significant encumbrances outstanding at year end, if any, are reported as reservations of fund balance because they will be re-appropriated in the subsequent fiscal year.

The Academy follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Chief Administrative Officer submits to the board of directors a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. Prior to July 1, the budget is legally adopted by board resolution pursuant to the Uniform Budgeting and Accounting Act (1968 PA 2). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, in the general fund are noted in the required supplementary information section.
3. The Chief Administrative Officer is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the board.

**BENTON HARBOR CHARTER SCHOOL ACADEMY
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Concluded)

4. Formal budgetary integration is employed as a management control device during the year for the general and special revenue funds.
5. The budget was amended during the year with supplemental appropriations, the last one approved prior to June 30, 2008. The Academy does not consider these amendments to be significant.

NOTE 3 - DEPOSITS AND RESTRICTED INVESTMENTS

As of June 30, 2008, the Academy had the following investments:

Investment Type	Fair value	Weighted average maturity (years)	Standard & Poor's Rating	%
First American Funds Treasury Obligations Fund - class D	<u>\$ 872,707</u>	0.0027	AAAm	<u>100.00%</u>
Portfolio weighted average maturity		<u>0.0027</u>		

One day maturity equals 0.0027, one year equals 1.00

The Academy invests certain excess funds in external pooled investment funds which included treasury obligations. The treasury obligation reports as of June 30, 2008, the fair value of the Academy's investments is the same as the value of the pool shares. These investments are restricted under the terms of the certificates of participation debt agreements primarily for debt service and maintenance and repair of the related facilities.

Interest rate risk. The Academy will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the Academy's cash requirements.

BENTON HARBOR CHARTER SCHOOL ACADEMY
NOTES TO FINANCIAL STATEMENTS

NOTE 3 - DEPOSITS AND RESTRICTED INVESTMENTS (Concluded)

Credit risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2008, the Academy did not have investments in commercial paper and corporate bonds.

Concentration of credit risk. The Academy will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Academy's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Academy's deposits may not be returned to it. As of June 30, 2008, \$214,675 of the Academy's bank balance of \$325,333 was exposed to custodial credit risk because it was uninsured and uncollateralized. Fiduciary fund balances are not included in the above balances.

The net proceeds from the sale of the Series 2007B Notes (see note 5) were loaned by the Michigan Public Educational Facilities Authority (Authority) to various Michigan Public School Academies. Such loans are to be repaid with monthly set-a-side installments deposited with the Trustee for investment under the Investment Agreement dated August 23, 2007 between Charter One Bank, various Michigan Public School Academies, the Authority, and Fifth Third Bank, as Provider. Set-a-side installments are invested monthly in a series of certificates of deposits (bearing interest at 5.12%) held by Bank of New York Mellon, Trustee, in a fiduciary capacity. The Academy has a proportional interest in the certificates of deposits and accrued interest income earned through maturity on August 22, 2008. As of June 30, 2008, the Academy has \$676,487 of cash deposits restricted for debt payments. These deposits are uninsured and uncollateralized.

Custodial credit risk - investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the Academy will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The Academy will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the Academy will do business.

Foreign currency risk. The Academy is not authorized to invest in investments which have this type of risk.

BENTON HARBOR CHARTER SCHOOL ACADEMY
NOTES TO FINANCIAL STATEMENTS

NOTE 4 - CAPITAL ASSETS

A summary of changes in the Academy's capital assets follows:

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 1,500,000	\$ -	\$ -	\$ 1,500,000
Capital assets being depreciated:				
Building	3,593,940	-	-	3,593,940
Furniture and equipment	170,866	-	-	170,866
Vehicles	83,600	-	-	83,600
Technology	303,942	65,276	-	369,218
Depreciable capital assets	4,152,348	65,276	-	4,217,624
Accumulated depreciation:				
Building	439,258	73,084	-	512,342
Furniture and equipment	43,873	10,931	-	54,804
Vehicles	23,222	27,867	-	51,089
Technology	141,485	66,554	-	208,039
Total accumulated depreciation	647,838	178,436	-	826,274
Net depreciable capital assets	3,504,510	(113,160)	-	3,391,350
Net governmental capital assets	\$ 5,004,510	\$ (113,160)	\$ -	\$ 4,891,350

Depreciation for the fiscal year ended June 30, 2008 amounted to \$178,436. The Academy determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

BENTON HARBOR CHARTER SCHOOL ACADEMY
NOTES TO FINANCIAL STATEMENTS

NOTE 5 - NOTE PAYABLE

As of June 30, 2008, the Academy has \$718,000 outstanding from a state aid anticipation note dated August 23, 2007. The note, which has an interest rate of 4.7%, matures August 22, 2008. The note is secured by future state school aid payments. The Academy has \$676,487 of cash deposits restricted for debt payments(see note 3), to be applied against the note payable at maturity.

<u>Balance</u> <u>June 30, 2007</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>June 30, 2008</u>
<u>\$ -</u>	<u>\$ 718,000</u>	<u>\$ -</u>	<u>\$ 718,000</u>

NOTE 6 - LONG-TERM DEBT

The following is a summary of long-term obligation transactions of the Academy for the year ended June 30, 2008:

	<u>Certificates of participation</u>	<u>Bank note</u>	<u>Total</u>
Balance, July 1, 2007	\$ 6,440,000	\$ 83,600	\$ 6,523,600
Addition	-	-	-
Repayments	<u>85,000</u>	<u>32,630</u>	<u>117,630</u>
Balance, June 30, 2008	6,355,000	50,970	6,405,970
Less current portion	<u>145,000</u>	<u>30,120</u>	<u>175,120</u>
Total due after one year	<u>\$ 6,210,000</u>	<u>\$ 20,850</u>	<u>\$ 6,230,850</u>

BENTON HARBOR CHARTER SCHOOL ACADEMY
NOTES TO FINANCIAL STATEMENTS

NOTE 6 - LONG-TERM DEBT (Concluded)

Long-term debt currently outstanding is as follows:

2002 Series A term certificates due in annual installments of \$100,000 to \$1,080,000 through May 1, 2032 with interest ranging from 7% to 8%.	\$ 6,210,000
2002 Series B term certificates due in an annual installment of \$145,000 on May 1, 2009 with interest at 10%.	145,000
Bank note due in monthly installments of \$2,510 through May 2010, including interest at 5.25%. The loan is secured by the related vehicles.	<u>50,970</u>
Total general long-term debt	<u><u>\$ 6,405,970</u></u>

The annual requirements to amortize long-term debts outstanding as of June 30, 2008, including interest of \$8,302,752 are as follows:

Year ending June 30,	Principal	Interest	Total
2009	\$ 175,120	\$ 500,551	\$ 675,671
2010	120,850	484,526	605,376
2011	105,000	477,100	582,100
2012	115,000	469,750	584,750
2013	120,000	461,700	581,700
2014 - 2018	750,000	2,168,500	2,918,500
2019 - 2023	1,080,000	1,842,625	2,922,625
2024 - 2028	1,580,000	1,342,400	2,922,400
2029 - 2032	<u>2,360,000</u>	<u>555,600</u>	<u>2,915,600</u>
	<u><u>\$ 6,405,970</u></u>	<u><u>\$ 8,302,752</u></u>	<u><u>\$ 14,708,722</u></u>

An amount of \$812,808 is available in the debt service funds to service the certificates. The certificates may be paid off early beginning on May 1, 2012 at the discretion of the Academy at stated amounts based on the terms of the agreement.

BENTON HARBOR CHARTER SCHOOL ACADEMY
NOTES TO FINANCIAL STATEMENTS

NOTE 7 - INTERFUND RECEIVABLES AND PAYABLES

Interfund receivable and payable balances at June 30, 2008 are as follows:

<u>Receivable fund</u>		<u>Payable</u>	
Food service fund	<u>\$ 6,599</u>	General fund	<u>\$ 6,599</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfunds goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, (3) payments between funds are made.

NOTE 8 - TRANSFERS

Operating transfers between the governmental funds were as follows:

<u>Operating transfers out</u>		<u>Operating transfers in</u>	
General fund	\$ 605,370	Debt service fund	\$ 602,370
Debt service fund	8,361	Capital projects fund	8,361
	<u>3,000</u>	Food service fund	<u>3,000</u>
	<u>\$ 613,731</u>		<u>\$ 613,731</u>

The operating transfers to the debt service fund from the general fund were to pay the debt service principal and interest payments. Transfers from the general fund to the food service fund were to subsidize operations. Transfers to the capital projects fund were to comply with the maintenance and replacement requirements of the certificates of participation debt agreement.

NOTE 9 - OVERSIGHT FEES

The Academy pays an administrative oversight fee of 3% of its state school aid discretionary and proposal A obligation payments to Ferris State University, as set forth by contract, to reimburse the University Board for the cost of execution of its oversight responsibilities. These oversight responsibilities include the monitoring of the Academy's compliance with the terms and conditions of the contract, and the review of its audited financial statements and periodic reports. During the year ended June 30, 2008, the Academy incurred expense of \$90,915 for oversight fees.

BENTON HARBOR CHARTER SCHOOL ACADEMY
NOTES TO FINANCIAL STATEMENTS

NOTE 10 - MANAGEMENT AGREEMENT

The Academy had entered into a five year (through June 2009) management agreement with Choice Schools Associates LLC (Choice Schools) for operations of the Academy. Under the terms of the management agreement, Choice Schools' compensation for operating the Academy is a fixed fee of \$325,000 per year.

NOTE 11 - PURCHASED SERVICES

The Academy leases all employee services from Choice Schools. Salaries, retirement, social security, health insurance, and unemployment taxes are the responsibility of Choice Schools. The amount payable to Choice Schools at June 30, 2008 was approximately \$22,000.

NOTE 12 - RISK MANAGEMENT

The Academy is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters. To minimize the risk, the Academy carries commercial insurance.

NOTE 13 - OPERATING LEASES

In September of 2003, the Academy entered into a lease for copiers. Total payments were approximately \$47,965 for the year ending June 30, 2008. Minimum rental commitments at June 30, 2008 for all non-cancelable operating leases are as follows:

<u>Year ending</u>	
2009	<u><u>5,400</u></u>

NOTE 14 – SUBSEQUENT EVENT

The Academy anticipates borrowing \$589,000 under a state aid anticipation note in September 2008 at approximately 5.125% to be repaid monthly from October 2008 through August 2009.

REQUIRED SUPPLEMENTARY INFORMATION

**BENTON HARBOR CHARTER SCHOOL ACADEMY
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2008**

	Original budget	Final budget	Actual	Variance with final budget positive (negative)
REVENUES:				
Local	\$ 83,000	\$ 91,500	\$ 124,532	\$ 33,032
State sources	3,229,175	3,448,488	3,450,984	2,496
Federal sources	365,038	544,092	476,761	(67,331)
Incoming transfers	18,023	18,023	27,440	9,417
Total revenues	3,695,236	4,102,103	4,079,717	(22,386)
EXPENDITURES:				
Instruction:				
Basic programs	873,096	1,129,110	1,061,930	67,180
Added needs	630,133	699,430	689,206	10,224
Total instruction	1,503,229	1,828,540	1,751,136	77,404
Support services:				
Pupil	61,730	62,230	63,275	(1,045)
Instructional staff	103,083	96,634	83,464	13,170
General administration	457,300	477,040	474,960	2,080
School administration	274,885	289,500	282,028	7,472
Business	33,250	33,250	30,948	2,302
Operation and maintenance	374,472	345,555	320,436	25,119
Pupil transportation services	256,564	272,500	209,293	63,207
Central services	23,000	51,000	45,586	5,414
Total support services	1,584,284	1,627,709	1,509,990	117,719

	Original budget	Final budget	Actual	Variance with final budget positive (negative)
EXPENDITURES (Concluded):				
Debt service:				
Principal retirement	\$ 25,800	\$ 32,630	\$ 32,630	\$ -
Interest and fiscal charges	4,380	3,816	3,619	197
Community services	100	100	-	100
Total expenditures	<u>3,117,793</u>	<u>3,492,795</u>	<u>3,297,375</u>	<u>195,420</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>577,443</u>	<u>609,308</u>	<u>782,342</u>	<u>173,034</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers out	<u>(558,000)</u>	<u>(593,000)</u>	<u>(605,370)</u>	<u>(12,370)</u>
NET CHANGE IN FUND BALANCE	<u>\$ 19,443</u>	<u>\$ 16,308</u>	176,972	<u>\$ 160,664</u>
FUND BALANCE:				
Beginning of year			<u>546,537</u>	
End of year			<u>\$ 723,509</u>	

ADDITIONAL INFORMATION

**BENTON HARBOR CHARTER SCHOOL ACADEMY
NONMAJOR GOVERNMENTAL FUND TYPES
COMBINING BALANCE SHEET
JUNE 30, 2008**

	Special revenue fund	Capital projects fund	Total nonmajor governmental funds
ASSETS			
ASSETS:			
Investments	\$ -	\$ 59,899	\$ 59,899
Due from other funds	6,599	-	6,599
TOTAL ASSETS	<u>\$ 6,599</u>	<u>\$ 59,899</u>	<u>\$ 66,498</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts payable	\$ 5,062	\$ -	\$ 5,062
FUND BALANCES:			
Reserved for capital projects	-	59,899	59,899
Undesignated	1,537	-	1,537
TOTAL FUND BALANCES	<u>1,537</u>	<u>59,899</u>	<u>61,436</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 6,599</u>	<u>\$ 59,899</u>	<u>\$ 66,498</u>

**BENTON HARBOR CHARTER SCHOOL ACADEMY
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2008**

	Special revenue fund	Capital projects fund	Total nonmajor governmental funds
REVENUES:			
Sale of lunches and milk	\$ 252	\$ -	\$ 252
State sources	7,096	-	7,096
Federal aid	225,955	-	225,955
Investment income	99	1,683	1,782
	<hr/>	<hr/>	<hr/>
Total revenues	233,402	1,683	235,085
	<hr/>	<hr/>	<hr/>
EXPENDITURES:			
Salaries	15,221	-	15,221
Benefits	5,219	-	5,219
Food	219,514	-	219,514
Miscellaneous	25	-	25
	<hr/>	<hr/>	<hr/>
Total expenditures	239,979	-	239,979
	<hr/>	<hr/>	<hr/>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(6,577)	1,683	(4,894)
OTHER FINANCING SOURCES (USES):			
Operating transfer in	3,000	8,361	11,361
	<hr/>	<hr/>	<hr/>
NET CHANGE IN FUND BALANCES	(3,577)	10,044	6,467
FUND BALANCES, beginning of year	5,114	49,855	54,969
	<hr/>	<hr/>	<hr/>
FUND BALANCES, end of year	\$ 1,537	\$ 59,899	\$ 61,436
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**BENTON HARBOR CHARTER SCHOOL ACADEMY
FULL TERM CERTIFICATES OF PARTICIPATION - SERIES 2002A
YEAR ENDED JUNE 30, 2008**

\$6,210,000 Certificates issued May 1, 2002.

Principal due May 1	Interest due		Debt service requirement for fiscal year	
	November 1	May 1	June 30,	Amount
\$	\$ 242,050	\$ 242,050	2009	\$ 484,100
100,000	242,050	242,050	2010	584,100
105,000	238,550	238,550	2011	582,100
115,000	234,875	234,875	2012	584,750
120,000	230,850	230,850	2013	581,700
130,000	226,650	226,650	2014	583,300
140,000	222,100	222,100	2015	584,200
150,000	217,200	217,200	2016	584,400
160,000	211,950	211,950	2017	583,900
170,000	206,350	206,350	2018	582,700
185,000	199,763	199,762	2019	584,525
200,000	192,594	192,594	2020	585,188
215,000	184,844	184,844	2021	584,688
230,000	176,512	176,512	2022	583,024
250,000	167,600	167,600	2023	585,200
270,000	157,600	157,600	2024	585,200
290,000	146,800	146,800	2025	583,600
315,000	135,200	135,200	2026	585,400
340,000	122,600	122,600	2027	585,200
365,000	109,000	109,000	2028	583,000
395,000	94,400	94,400	2029	583,800
425,000	78,600	78,600	2030	582,200
460,000	61,600	61,600	2031	583,200
1,080,000	43,200	43,200	2032	1,166,400
<u>\$ 6,210,000</u>	<u>\$ 4,142,938</u>	<u>\$ 4,142,937</u>		<u>\$ 14,495,875</u>

The above certificates bear interest rates at 7% to 8%. The certificate proceeds were used for the acquisition of real property and improvements thereto.

**BENTON HARBOR CHARTER SCHOOL ACADEMY
FULL TERM CERTIFICATES OF PARTICIPATION - SERIES 2002B
YEAR ENDED JUNE 30, 2008**

\$500,000 Certificates issued May 1, 2002.

Principal due May 1	Interest due		Debt service requirement for fiscal year	
	November 1	May 1	June 30,	Amount
<u>\$ 145,000</u>	<u>\$ 7,250</u>	<u>\$ 7,250</u>	2009	<u>\$ 159,500</u>

The above certificates bear interest rates at 10.0%. The certificate proceeds were used for the acquisition of real property and improvements thereto.

**BENTON HARBOR CHARTER SCHOOL ACADEMY
BANK NOTE
YEAR ENDED JUNE 30, 2008**

\$83,600 bank note issued May 15, 2007.

		Debt service requirement for fiscal year	
Principal	Interest	June 30,	Amount
\$ 30,120	\$ 1,951	2009	\$ 32,071
20,850	426	2010	21,276
<u>\$ 50,970</u>	<u>\$ 2,377</u>		<u>\$ 53,347</u>

The above note payable bears interest rate at 5.25%. The note payable was used for the acquisition of school buses.

BENTON HARBOR CHARTER SCHOOL ACADEMY

**ADDITIONAL REPORTS REQUIRED BY
OMB CIRCULAR A-133**

YEAR ENDED JUNE 30, 2008

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors
Benton Harbor Charter School Academy

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Benton Harbor Charter School Academy as of and for the year ended June 30, 2008, which collectively comprise Benton Harbor Charter School Academy's basic financial statements and have issued our report thereon dated September 24, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Benton Harbor Charter School Academy's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Academy's internal control over financial reporting.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the Academy's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Academy's financial statements that is more than inconsequential will not be prevented or detected by the Academy's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Academy's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Benton Harbor Charter School Academy's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Directors, management and the U.S. Department of Education, Michigan Department of Education and is not intended to be and should not be used by anyone other than these specified parties.

Maner, Costerisan + Ellis, P.C.

September 24, 2008



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**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM
AND INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Directors
Benton Harbor Charter School Academy

Compliance

We have audited the compliance of Benton Harbor Charter School Academy with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2008. Benton Harbor Charter School Academy's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Benton Harbor Charter School Academy's management. Our responsibility is to express an opinion on Benton Harbor Charter School Academy's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Benton Harbor Charter School Academy's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Benton Harbor Charter School Academy's compliance with those requirements.

In our opinion, Benton Harbor Charter School Academy complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of Benton Harbor Charter School Academy is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Benton Harbor Charter School Academy's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Academy's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the Academy's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the Academy's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the Academy's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Benton Harbor Charter School Academy as of and for the year ended June 30, 2008 and have issued our report thereon dated September 24, 2008. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise Benton Harbor Charter School Academy's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Directors, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Maner, Costerisan + Ellis, P.C.

September 24, 2008

**BENTON HARBOR CHARTER SCHOOL ACADEMY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008**

Federal grantor/pass-through grantor program title	Federal CFDA number	Pass- through grantor's number	Award amount	Accrued (deferred) revenue 6/30/2007	Prior year expenditures (memorandum only)	Current year receipts (cash basis)	Current year expenditures	Accrued (deferred) revenue 6/30/2008
<u>U.S. Department of Agriculture:</u>								
Passed through Michigan Department of Education:								
Child nutrition cluster:								
National School Lunch Program - Section 4	10.555	071950	\$ 15,012	\$ 1,884	\$ 13,198	\$ 3,698	\$ 1,814	\$ -
National School Lunch Program - Section 4		081950	12,128	-	-	12,128	12,128	-
National School Lunch Program - Section 11		071960	128,427	15,399	110,800	33,026	17,627	-
National School Lunch Program - Section 11		081960	114,743	-	-	114,743	114,743	-
			270,310	17,283	123,998	163,595	146,312	-
National School Lunch Program - Breakfast	10.553	071970	77,357	9,503	67,606	19,254	9,751	-
National School Lunch Program - Breakfast		081970	69,892	-	-	69,892	69,892	-
			147,249	9,503	67,606	89,146	79,643	-
Total U.S. Department of Agriculture			417,559	26,786	191,604	252,741	225,955	-
<u>U.S. Department of Education:</u>								
Passed through Michigan Department of Education:								
Title I	84.010	0715300607	301,377	62,067	263,363	100,081	38,014	-
		0815300708	388,925	-	-	242,233	335,547	93,314
			690,302	62,067	263,363	342,314	373,561	93,314
Service Provider Self Review	84.027A	0704400607	4,000	4,000	4,000	4,000		-
Title V Innovative Programs	84.298	0702500607	2,244	-	-	2,244	2,244	-
		0802500708	2,800	-	-	2,800	2,800	-
			5,044	-	-	5,044	5,044	-

The accompanying notes are an integral part of this schedule

**BENTON HARBOR CHARTER SCHOOL ACADEMY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008**

Federal grantor/pass-through grantor program title	Federal CFDA number	Pass- through grantor's number	Award amount	Accrued (deferred) revenue 6/30/2007	Prior year expenditures (memorandum only)	Current year receipts (cash basis)	Current year expenditures	Accrued (deferred) revenue 6/30/2008
<u>U.S. Department of Education (Concluded):</u>								
Passed through Michigan Department of Education (Concluded):								
Title II, Part D -								
Enhancing Education Through Technology	84.318	0742900607	\$ 3,094	\$ -	\$ -	\$ 3,094	\$ 3,094	\$ -
		0842900708	3,652	-	-	3,652	3,652	-
			<u>6,746</u>	<u>-</u>	<u>-</u>	<u>6,746</u>	<u>6,746</u>	
Title II, Part A -								
Improving teacher quality	84.367	0705200607	47,559	16,418	23,418	25,394	8,976	-
		0805200708	72,969	-	-	37,017	58,709	21,692
			<u>120,528</u>	<u>16,418</u>	<u>23,418</u>	<u>62,411</u>	<u>67,685</u>	<u>21,692</u>
Passed through Berrien County Intermediate School District:								
Freedom to learn	84.318		<u>350</u>	<u>-</u>	<u>-</u>	<u>350</u>	<u>350</u>	<u>-</u>
Total passed through Michigan Department of Education			<u>826,620</u>	<u>82,485</u>	<u>290,781</u>	<u>420,515</u>	<u>453,036</u>	<u>115,006</u>
Total U.S. Department of Education			826,970	82,485	290,781	420,865	453,386	115,006
<u>U.S. Department of Health and Human Services:</u>								
Passed through Berrien County Intermediate School District:								
Medicaid Outreach	93.778		<u>23,375</u>	<u>-</u>	<u>-</u>	<u>23,375</u>	<u>23,375</u>	<u>-</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 1,267,904</u>	<u>\$ 109,271</u>	<u>\$ 482,385</u>	<u>\$ 696,981</u>	<u>\$ 702,716</u>	<u>\$ 115,006</u>

The accompanying notes are an integral part of this schedule

**BENTON HARBOR CHARTER SCHOOL ACADEMY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008**

1. Basis of presentation - The accompanying schedule of expenditures of federal awards includes the grant activity of Benton Harbor Charter School Academy and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with OMB Circular A-133 and reconciles with the amounts presented in the preparation of the financial statements.
2. CFDA #84.010 was audited as the major program, representing 53% of expenditures. The Academy qualifies for low risk auditee status.
3. The threshold for distinguishing Type A and Type B programs was \$300,000.
4. Management has utilized the Grant Section Auditors' Report (Form R7120) and Grant Audit Report in preparing the Schedule of Expenditures of Federal Awards.
5. Federal expenditures are reported as revenue in the following funds in the financial statements:

General fund	\$ 476,761
Special revenue fund	<u>225,955</u>
Subtotal	<u><u>\$ 702,716</u></u>

**BENTON HARBOR CHARTER SCHOOL ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2008**

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:

Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X None reported

Noncompliance material to financial statements noted?

_____ Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified: _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ Yes X None reported

Type of auditors' report issued on compliance for major programs:

Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?

_____ Yes X No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.010	Title I

Dollar threshold used to distinguish between Type A and Type B programs:

\$300,000

Auditee qualified as low-risk auditee?

 X Yes _____ No

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None

**BENTON HARBOR CHARTER SCHOOL ACADEMY
SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2008**

There were no prior year audit findings.



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September 24, 2008

To the Board of Directors
Benton Harbor Charter School Academy

We have audited the financial statements of Benton Harbor Charter School Academy for the year ended June 30, 2008, and have issued our report thereon dated September 24, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under Auditing Standards Generally Accepted in the United States of America and OMB Circular A-133

As stated in our engagement letter, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered Benton Harbor Charter School Academy's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirement that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether Benton Harbor Charter School Academy's financial statements are free of material misstatement, we performed test of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also in accordance with OMB Circular A-133, we examined, on a test basis, evidence about Benton Harbor Charter School Academy's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on Benton Harbor Charter School Academy's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on Benton Harbor Charter School Academy's compliance with those requirements.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to the Treasurer of the Academy during our discussion about planning matters on August 5, 2008.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Benton Harbor Charter School Academy are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2008. We noted no transactions entered into by the Academy during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no significant estimates to report.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no significant disclosures to report.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We detected no misstatements as a result of audit procedures that were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 24, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Academy's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Academy's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Directors and management of Benton Harbor Charter School Academy and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Maner, Costerisan + Ellis, P.C.

September 24, 2008